Q2-FY23 Results

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Safe Harbor Statement

This presentation and related materials contain forward-looking statements for purposes of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including our guidance and statements about expected future financial performance and benefits from previous transactions. Actual results may vary significantly from Aspen Technology's expectations based on a number of risks and uncertainties, including, without limitation, failure to realize the anticipated benefits of the transactions with Emerson Electric Co. (“Emerson”), including difficulties in integrating the combination of businesses we acquired or in achieving anticipated revenue and cost synergies; delays or reductions in demand for AspenTech solutions due to macroeconomic factors or the COVID-19 pandemic; AspenTech’s failure to increase usage and product adoption of aspenONE or other offerings or grow the aspenONE APM, OSI and SSE businesses, and failure to continue to provide innovative solutions; declines in the demand for, or usage of, aspenONE software for any reason, including declines due to adverse changes in the process or other asset-intensive industries and materially reduced industry spending budgets; inability to retain and hire key personnel; unfavorable economic and market conditions or a lessening demand in the market for asset process optimization software, including materially reduced industry spending budgets; consummation and anticipated benefits for the Micromine acquisition; risks of foreign operations or transacting business with customers outside the United States; including fluctuations in foreign exchange rates; risks resulting from our status as a controlled corporation; risks of competition; risks that acquisitions could be difficult to consummate and integrate into our operations, which could disrupt our business, dilute stockholder value or impair our financial results; and other risk factors described from time to time in AspenTech’s periodic reports filed with the Securities and Exchange Commission. Aspen Technology cannot guarantee any future results, level of activity, performance, or achievements. Further, Aspen Technology expressly disclaims any obligation to update any forward-looking statements after the date hereof.

Use of Non-GAAP Financial Measures

This presentation contains “non-GAAP financial measures” under the rules of the U.S. Securities and Exchange Commission. Non-GAAP financial measures are not based on a comprehensive set of accounting rules or principles. This non-GAAP information supplements and is not intended to represent a measure of performance in accordance with, disclosures required by generally accepted accounting principles, or GAAP. Non-GAAP financial measures should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP. A reconciliation of GAAP to non-GAAP results is included in the financial tables included in this press release.

Management considers both GAAP and non-GAAP financial results in managing AspenTech’s business. As the result of adoption of new licensing models, management believes that a number of AspenTech’s performance indicators based on GAAP, including revenue, gross profit, operating income and net income, should be viewed in conjunction with certain non-GAAP and other business measures in assessing AspenTech’s performance, growth and financial condition. Accordingly, management utilizes a number of non-GAAP and other business metrics, including the non-GAAP metrics set forth in this press release, to track AspenTech’s business performance. None of these non-GAAP metrics should be considered as an alternative to any measure of financial performance calculated in accordance with GAAP.

Business highlights

ACV

- ACV was $833.7M at the end of Q2 FY23
- Grew 8.7% YoY, 3.0% QoQ
- Strong performance in refining, upstream and EPC
- DGM signed multiple, significant wins and seeing strong pipeline build
- SSE material contributor to GACV

Macro

- Overall demand trends remain positive
- Sustainability and operational excellence are top investment priorities
- Strong CY23 CapEx budgets forecasted in our core industries
- Chemicals is our one end market facing some macro challenges in F2H

Integration Progress

- Achieved separability in OSI bundled commercial model
- SSE transition to token model soon to be completed
- Progress on each integration category, including commercial and business transformation
- On track to deliver planned synergy targets

M&A Update

- Strong initial customer interest in Inmation
- Micromine acquisition expected to close following final regulatory approval
- Entered into $630M Credit Agreement with Emerson

Integration Progress

OSI Separability Completion

- Achieved separability in OSI bundled commercial model, a key integration milestone
- Separability expected to enable software license revenue and ACV

DGM Synergy Milestones

- Early DGM wins in Europe, delivering on key growth synergy opportunity
- Continuing to actively build out DGM sales capacity in Europe

SSE Contribution to ACV Growth in Q2

- SSE suite and tokens now available
- SSE contribution in Q2 delivers two largest ACV growth deals in the quarter

Commercial Org Alignment

- Created unified, consistent processes designed to deliver repeatable, predictable sales
- Standardized territories, quota, and commissions

ACV Trends and Growth

	Q1-FY20	Q2-FY20	Q3-FY20	Q4-FY20	Q1-FY21	Q2-FY21	Q3-FY21	Q4-FY21	Q1-FY22	Q2-FY22	Q3-FY22	Q4-FY22	Q1-FY23	Q2-FY23
Change YoY					6.7%	4.5%	3.7%	2.5%	4.3%	4.8%	7.4%	7.8%	7.7%	8.7%
Change QoQ		3.7%	-1.6%	3.8%	0.6%	1.6%	-2.3%	2.5%	2.5%	2.0%	0.2%	2.9%	2.3%	3.0%

ACV trends and growth include heritage AspenTech, DGM, and SSE for all periods

Sustainability and Operational Excellence

Each end market will play a critical role in the Dual Challenge, **requiring elevated levels of investment** for decades to come

New software release provides **over 100 sustainability models** to help customers accelerate progress in key areas

Strategic partnership with Saudi Aramco to provide a unique, integrated modeling & optimization solution for CO_2 sourcing and utilization

Growing customer interest around the **use of SSE capabilities for carbon capture and sequestration** in various locations around the world

OSI customers engaged and excited for ecosystem establishment and access to broader AspenTech portfolio **to achieve operational excellence**

AspenTech is a global leader in sustainability for asset-intensive businesses

Q2 FY23 Financial Summary

	Three Months Ended December 31, 2022	Change YoY	Change QoQ
Total Revenue	$242,838	197%	-3%
GAAP Total Expense	$302,233	268%	0%
Non-GAAP Total Expense	$156,220	163%	-1%
GAAP Net Income (Loss)	($66,197)	NA	NA
Non-GAAP Net Income (Loss)	$22,801	36%	-84%
Free Cash Flow	$53,102	NA	396%

As a result of the transaction between AspenTech and Emerson Electric Co.("Emerson"), EmerSubCX, the subsidiary Emerson created as part of the transaction, became the surviving entity when the transaction closed on May 16th, 2022. The comparable periods shown in the financial statements below for fiscal year 2022 reflect only the historical results of the OSI and SSE businesses that were contributed to new AspenTech.

See appendix for reconciliation of GAAP and Non-GAAP measures

Cash, Liquidity, and Capital Allocation

	December 31, 2022
Cash and Cash Equivalents	$446,088
Current Borrowings	$264,000

- Predictable and sustained cash generation
- Multi-year contracts including annual prepayments in advance with annual contractual escalation
- As of December 31, 2022 undrawn on $200M secured revolving credit facility
- Organic and inorganic investments in growth with excess cash
- As of December 23, 2022, we entered into a Credit Agreement with Emerson Electric Co. that provides for an aggregate term loan commitment of $630 million
- The remaining indebtedness under our previous term loan facility has been retired as of January 2023, while our $200 million secured revolving credit facility remains in place and undrawn

Guidance

	FY 2023 Guidance Low	FY 2023 Guidance High
ACV Growth	10.5%	13.5%
Total Bookings	$1.07B	$1.17B
Total Revenue	$1.14B	$1.20B
GAAP Total Expense	$1,207M	$1,217M
Non-GAAP Total Expense	$637M	$647M
GAAP Operating Income	($67M)	($15M)
Non-GAAP Operating Income	$503M	$555M
GAAP Net Income	($7.5M)	$32.5M
Non-GAAP Net Income	$451M	$491M
GAAP Net Income Per Share	($0.11)	$0.49
Non-GAAP Net Income Per Share	$6.83	$7.43
Free Cash Flow	$347M	$362M

Key Assumptions:

- Does not include financial impact from Micromine, which is expected to close following final regulatory approvals
- Does not reflect the impact of other future potential acquisitions
- Does not assume share repurchase activity
- Bookings outlook includes $547 million of contracts up for renewal in FY23
- Guidance assumes 66.0 million weighted average diluted shares outstanding

Glossary of Terms / Definitions

- **Annual Contract Value** – is an estimate of the annual value of our portfolio of term license software maintenance and support (SMS) contracts, the annual value of SMS agreements purchased with perpetual licenses and the annual value of standalone SMS agreements purchased with certain legacy term license agreements, which have become an immaterial part of our business. ACV is calculated by summing the most recent annual invoice value of each of our active term license and SMS contracts. Comparing ACV for different dates can provide insight into the growth and retention rates of our business.

- **Bookings** – is the total value of customer term license and perpetual license SMS contracts signed and delivered in the current period, less the value of such contracts signed in the current period where the initial licenses and SMS agreements are not yet deemed delivered, plus term license and perpetual license SMS contracts signed in a previous period for which the initial licenses are deemed delivered in the current period. License revenue is heavily impacted by the timing of Bookings, and more specifically renewal Bookings. A decrease or increase in Bookings between fiscal periods resulting from a change in the amount of term license contracts up for renewal is not an indicator of the health or growth of our business.

- **Free Cash Flow** – is calculated as net cash provided by operating activities adjusted for the net impact of (a) purchases of property, equipment and leasehold improvements, (b) payments for capitalized computer software development costs, and (c) other nonrecurring items, such as acquisition related payments.

Reconciliation of GAAP to Non-GAAP Results of Operations and Cash Flows

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Total Expenses

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Six Months Ended December 31, 2022	Six Months Ended December 31, 2021
GAAP total expenses (a)	$302,233	$82,029	$604,234	$172,928
Less:				
Stock-based compensation (b)	(23,441)	(458)	(41,177)	(826)
Amortization of intangibles (c)	(121,161)	(22,176)	(242,321)	(50,985)
Acquisition and integration planning related fees	(1,411)	-	(6,269)	(54)
Non-GAAP total expenses	$156,220	$59,395	$314,467	$121,063

Income from Operations

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Six Months Ended December 31, 2022	Six Months Ended December 31, 2021
GAAP (loss) income from operations	($59,395)	($254)	($110,577)	($14,138)
Plus:				
Stock-based compensation (b)	23,441	458	41,177	826
Amortization of intangibles (c)	121,161	22,176	242,321	50,985
Acquisition and integration planning related fees	1,411	-	6,269	54
Non-GAAP income from operations	$86,618	$22,380	$179,190	$37,727

Net Income

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Six Months Ended December 31, 2022	Six Months Ended December 31, 2021
GAAP net income (loss)	($66,197)	($760)	($77,441)	($11,962)
Plus:				
Stock-based compensation (b)	23,441	458	41,177	826
Amortization of intangibles	121,161	22,176	242,321	50,985
Acquisition and integration planning related fees	1,411	-	6,269	54
Unrealized loss on foreign currency forward contract	(34,940)	-	15,319	-
Less:				
Income tax effect on Non-GAAP items (d)	(22,075)	(5,145)	(62,591)	(12,033)
GAAP net income (loss)	$22,801	$16,730	$165,054	$27,870

Diluted Income per Share

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Six Months Ended December 31, 2022	Six Months Ended December 31, 2021
GAAP diluted (loss) per share	($1.02)	($0.02)	($1.20)	($0.33)
Plus:				
Stock-based compensation (b)	0.36	0.01	0.64	0.02
Amortization of intangibles (c)	1.87	0.61	3.75	1.41
Acquisition and integration planning related fees	0.02	-	0.10	0.00
Unrealized loss on foreign currency forward contract	(0.54)	-	0.24	-
Less				
Income tax effect on Non-GAAP items (d)	(0.34)	(0.14)	(0.97)	(0.33)
Non-GAAP diluted income per share	$0.35	$0.46	$2.56	$0.77
Shares used in computing Non-GAAP diluted income per share	64,621	36,308	64,538	36,308

Free Cash Flow

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Six Months Ended December 31, 2022	Six Months Ended December 31, 2021
Net cash provided by operating activities (GAAP)	$49,534	($14,798)	$54,612	($23,984)
Purchases of property, equipment and leasehold improvements	(1,523)	(786)	(2,844)	(3,393)
Payments for capitalized computer software development costs	(230)	-	(329)	-
Acquisition and integration planning related payments	5,321	-	12,380	54
Free cash flow (non-GAAP)	$53,102	($15,584)	$63,819	($27,323)

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(a) GAAP Total Expenses

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Six Months Ended December 31, 2022	Six Months Ended December 31, 2021
Total costs of revenue	$93,098	$41,577	$184,228	$85,097
Total operating expenses	209,135	40,452	420,006	87,831
GAAP total expenses	$302,233	$82,029	$604,234	$172,928

(b) Stock-based compensation expense was as follows:

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Six Months Ended December 31, 2022	Six Months Ended December 31, 2021
Cost of license and solutions	$1,200	$0	$1,919	$0
Cost of maintenance	474	-	1,035	-
Cost of services and other	428	-	858	-
Selling and marketing	3,826	-	7,191	-
Research and development	4,240	-	7,858	-
General and administrative	13,273	458	22,316	826
Total stock-based compensation	$23,441	$458	$41,177	$826

(c) Amortization of intangible assets was as follows:

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Six Months Ended December 31, 2022	Six Months Ended December 31, 2021
Cost of license and solutions	$47,671	$13,193	$95,342	$26,385
Selling and marketing	73,490	8,983	146,979	24,600
Total amortization of intangible assets	$121,161	$22,176	$242,321	$50,985

U.S. Statutory Rate

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Six Months Ended December 31, 2022	Six Months Ended December 31, 2021
U.S. statutory rate	21.8%	22.7%	21.8%	23.2%

(c) The income tax effect on non-GAAP items for the three months ended December 31, 2022 and 2021, respectively, is calculated utilizing the Company's combined US federal and state statutory tax rate

Reconciliation of Forward-Looking Guidance Range

Guidance — Total expenses

	Twelve Months Ended June 30, 2023 (a)	
	Range	
	Low	High
GAAP Expectation—Total expenses	1,207,000	1,217,000
Less:		
Stock-based compensation	(77,000)	(77,000)
Amortization of intangibles	(486,500)	(486,500)
Acquisition and integration planning related Fees	(6,500)	(6,500)
Non-GAAP Expectation – Total expenses	$637,000	$647,000

Guidance — (Loss) from Operations

	Twelve Months Ended June 30, 2023 (a)	
	Range	
	Low	High
GAAP Expectation—Total expenses (Loss from operations)	(67,000)	(15,000)
Stock-Based Compensation	77,000	77,000
Amortization of intangibles	486,500	486,500
Acquisition and integration planning related Fees	6,500	6,500
Non-GAAP Expectation – Total expenses	$503,000	$555,000

Guidance — Net income and diluted income per share

	Twelve Months Ended June 30, 2023 (a)	
	Range	
	Low	High
GAAP Expectation – Net (loss)	(7,500)	32,500
Stock-based compensation	77,000	77,000
Amortization of intangibles	486,500	486,500
Acquisition and integration planning related fees	6,500	6,500
Unrealized loss on foreign currency forward contract	15,500	15,500
Income tax effect on Non-GAAP items (b)	(127,500)	(127,500)
Non-GAAP expectation – Net income	$450,500	$490,500

Shares used in computing guidance for Non-GAAP diluted income	66,000	66,000
GAAP EPS	(0.11)	0.49
Non-GAAP EPS	$ 6.83	$ 7.43

(a) Rounded amounts used, except per share data. (b) The income tax effect on non-GAAP items for the twelve months ended June 30, 2023 is calculated utilizing the Company's statutory tax rate of 21.8 percent.

Guidance — Free Cash Flow

	Twelve Months Ended June 30, 2023 (a)	
	Range	
	Low	High
GAAP expectation – Net cash provided by operating activities	351,000	366,000
Purchases of property, equipment and leasehold improvements	(9,500)	(9,500)
Payments for capitalized computer software development costs	(1,000)	(1,000)
Acquisition and integration planning payments	6,500	6,500
Free cash flow expectation (non-GAAP)	$347,000	$362,000